HAYS Working for your tomorrow

QUARTERLY UPDATE
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023

12 October 2023

HAYS Working for your tomorrow

Financial summary

Growth in net fees for the quarter ended 30 September 2023 (Q1 FY24)

(versus the same period last year)	Growth	
	Actual	**LFL**
By division:		
Germany	7%	**7%**
United Kingdom & Ireland (UK&I)	(11)%	**(11)%**
Australia & New Zealand (ANZ)	(27)%	**(17)%**
Rest of World (RoW)	(13)%	**(11)%**
Total	(9)%	**(7)%**
By segment:		
Temporary	(2)%	**0%**
Permanent	(18)%	**(15)%**
Total	(9)%	**(7)%**

Note: unless otherwise stated, all growth rates discussed in this statement are LFL (like-for-like) fees, representing year-on-year organic growth of continuing operations at constant currency.

Highlights

- Fees down 7%, in-line with our expectations, versus a record quarter in the prior year. Resilient performance in Temp, with fees flat and volumes broadly stable through the quarter. Perm down 15%, with tough conditions and increased time-to-hire. The Group's September fee exit rate was in-line with Q1 overall at (7)%
- Our key strategic markets continue to face skill shortages and Group fees continued to be supported by wage inflation and positive pricing
- **Germany:** fees up 7%, or 8% on a working day-adjusted (WDA) basis. Temp & Contracting up 8% (up 10% WDA), driven by modest volume growth and positive pricing. Perm up 2%
- **UK & Ireland (UK&I):** fees down 11%. Temp fees down 8%, with Perm down 14%. Public sector fees grew by 4%, with the Private sector down 16%
- **Australia & New Zealand (ANZ):** fees down 17%, with Temp down 13% and Perm down 24%. Public sector fees decreased 11%, with the Private sector down 20%
- **Rest of World (RoW):** fees down 11%. EMEA ex-Germany fees were flat, although Asia decreased by 17%, with China again challenging. The Americas was also tough, down 28%
- Consultant headcount decreased by 2% in the quarter and by 9% YoY, as we focused on driving productivity which remained at good levels overall
- Strong balance sheet with net cash of c.£75 million (30 June 2023: £135.6 million), in line with our expectations

Commenting on the Group's performance, Dirk Hahn, Chief Executive, said:

"I am deeply proud to have been appointed Chief Executive and I look forward to driving our business forward, with the help of our highly experienced management teams worldwide. We are market leaders in highly attractive structural growth markets, including Germany, Enterprise clients and Technology, and we have a clear strategy going forward. My focus is on excellence of execution, including driving consultant productivity and increasing Group profitability.

"FY24 has begun in line with our expectations. Temp & Contracting, our largest business and a key strategic focus, produced a resilient performance, although Perm markets remain more difficult, with increased time-to-hire. Fee growth was led by our largest market of Germany, with EMEA fees flat, while ANZ, Asia and the Americas remained the most challenging markets. Our key markets remain characterised by skill shortages and continue to be positively impacted by wage inflation. We have a strong balance sheet and flexible business model and are well-positioned to adapt to near-term market conditions, while continuing to target structural growth opportunities and deliver shareholder value."

Group

Q1 trading overview

Group fees declined by 7% year-on-year on a like-for-like basis, versus a record quarter in the prior year, and reflecting increased time-to-hire in Perm. On an actual basis, net fees decreased by 9%, with a weakening of the Australian dollar versus sterling in particular decreasing Group fees. The Group's year-on-year fee decline was consistent through the quarter, and our fee decline exit rate was (7)%.

Temp and Contracting (58% of Group fees) was flat YoY%, driven by our actions to increase fee margins and our focus on higher value markets, together with the positive effects of wage inflation. Temp volumes were broadly stable through the quarter, although decreased by 6% year-on-year, with modest growth in Germany and EMEA offset by decreases in ANZ and UK&I. Fees in Perm (42% of Group fees) decreased by 15%, driven by volumes down 26% as job flows decreased and hiring processes extended. This was partially offset by an increase in our Group average Perm fee, up 11%. Fees in the Private sector (83% of Group fees) decreased by 9%, with the Public sector up 4%.

Our long-term strategy is to position our businesses in the most attractive structural growth sectors. Fees in our largest global specialism of Technology (25% of Group) declined by 7%, versus a record prior year performance. Consistent with recent quarters, Technology Temp significantly outperformed Perm. Our second largest specialism, Accountancy & Finance, decreased by 4%, with a stronger performance in our Senior Finance practice. Engineering, our third largest specialism, grew by 10%, although Construction & Property decreased by 14%. Direct outsourcing fees in Enterprise clients decreased by 6%, although we continue to have a good pipeline of opportunities.

Group headcount, FX and H1 FY24 working days

Group consultant headcount decreased by 2% in the quarter and decreased by 9% year-on-year, as we managed our overall capacity in line with market conditions. We remain firmly focused on driving consultant productivity, which is at good overall levels, despite more difficult markets, particularly in Perm.

The strengthening of sterling versus our main trading currencies of the euro and Australian dollar remains a headwind to Group operating profit in FY24. If we re-translate FY23 operating profit of £197.0 million using 9 October exchange rates (AUD1.9133 and €1.1580), operating profit would decrease by c.£4 million, with the majority of the YoY negative currency impact in H1 FY24. Also, Germany has two fewer working days in the first half of FY24, which will negatively impact fees and profit in our Temp & Contracting businesses by c.£3.5 million in H1.

Outlook

Overall, FY24 has begun in line with our expectations, and we continue to benefit from the positive effects of mix and margins. Volumes remain broadly stable overall in Temp and Contracting, with modestly lower numbers of new assignments offset by greater contract extensions. In Perm, we continue to see lower client and candidate confidence, with increased time-to-hire.

As a reminder, given that Group net fees will decline year-on-year in H1 FY24, in part due to the FX and working day impacts noted above, we continue to expect conversion rate and operating profit will also decline, as we protect key strategic investments to benefit from future recovery and structural growth opportunities.

Germany (32% of net fees)

Germany delivered 7% fee growth, or up 8% on a working day-adjusted (WDA) basis.

Our largest specialism of Technology, 33% of Germany fees, increased by 1%, with our second largest, Engineering, up 17%. Accountancy & Finance grew by 4%, with HR up 7%. Private sector fees (85% of Germany) increased by 4%, with the Public sector up an excellent 21%.

Contracting (57% of Germany fees) delivered solid growth, with fees up 6% (8% WDA). This was driven by 1% growth in contractor volumes and 7% from higher margins, partially offset by a 2% reduction from one fewer working day YoY.

Fees in Temp (26% of Germany fees), where we employ temporary workers as required under German law, increased by 12% (14% WDA). This was driven by 5% growth in Temp volumes, 9% from higher margins and average Temp hours worked, partially offset by a 2% reduction from one fewer working day YoY.

Perm, which represented 17% of Germany fees, increased by 2%.

Consultant headcount increased 1% in the quarter and by 2% year-on-year.

United Kingdom & Ireland (21% of net fees)

Net fees in the United Kingdom & Ireland decreased by 11%. Temp (54% of UK&I fees) fees decreased by 8%, with Perm down 14%. The Private sector (69% of UK&I fees) declined by 16%, with the Public sector up 4%.

Most regions traded broadly in line with the overall UK&I business, including our largest region of London which decreased by 14%. In Ireland, our business decreased by 10%.

At the specialism level, our two largest UK&I businesses, Accountancy & Finance and Technology, decreased by 6% and 20% respectively. Education increased by 7%, although Construction & Property decreased by 10%.

Consultant headcount decreased by 1% in the quarter and by 13% year-on-year.

Australia & New Zealand (13% of net fees)

Net fees in Australia & New Zealand fell by 17%. Temp, 62% of ANZ, decreased by 13%, with Perm down 24%. Private sector fees, 64% of ANZ, decreased by 20%, with the Public sector down 11%, impacted by tough market conditions, particularly in Temp.

Australia net fees decreased by 17%. Our largest regions of New South Wales and Victoria, which together represented 51% of Australia fees, decreased by 22% and 20% respectively. Queensland and Western Australia fell 10% and 8%, with ACT down 20%.

At the ANZ specialism level, Construction & Property (19% of ANZ fees) decreased by 24%. Technology, our second largest specialism, fell by 21%, while Accountancy & Finance and HR decreased by 12% and 9% respectively.

New Zealand, 9% of ANZ net fees, decreased by 17%.

ANZ consultant headcount decreased by 6% in the quarter and by 14% year-on-year.

Rest of World (34% of net fees)

Fees in our Rest of World division, comprising 28 countries, decreased by 11%. Perm, which represented 63% of RoW net fees, decreased by 17%, with Temp fees up 4%.

EMEA ex-Germany (63% of RoW) fees were flat. France, our largest RoW country, grew by 6%, with the UAE and Italy up 25% and 10% respectively. Belgium and Switzerland increased by 2% and 3% respectively, although fees in Poland declined by 21%.

The Americas (21% of RoW) fees decreased by 28%, with conditions difficult through the quarter, particularly in Perm. Canada and USA were tough, down 31% and 27% respectively, as was Latam, down 29%.

Asia (16% of RoW) fees decreased by 17%. Japan decreased by 4%, with Malaysia down 15%. China decreased by 25%, with no signs of any material post-pandemic recovery in Mainland China, which continued to underperform Hong Kong.

RoW consultant headcount decreased by 2% in the quarter and by 10% year-on-year.

Cash flow and balance sheet

Our balance sheet remains strong with net cash at 30 September 2023 of c.£75 million (30 June 2023: £135.6 million), in line with our expectations. On 7 September 2023, we announced a Treasury Share Programme to purchase up to 12 million ordinary shares, which will be held to satisfy employee share-based award obligations. During the quarter we purchased 3.4 million shares (c.£3.6 million) under this programme.

Enquiries

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Conference call

James Hilton and David Phillips will conduct a conference call for analysts and investors at 8:00am United Kingdom time on 12 October 2023. Participants are invited to register via the URL link below:

https://register.vevent.com/register/BIcf8b82d7342747c3a2f30185df9bfb9e

Once registered, you will receive a confirmation email, with the details of the call and a personal login link and PIN which will place you directly into the call, without the need to speak to an operator. The call will be recorded and will also be available for playback via the results centre on our investor website.

Reporting calendar

Trading update for the quarter ending 31 December 2023 (Q2 FY24)	18 January 2024
Half-year results for the six months ending 31 December 2023 (H1 FY24)	22 February 2024
Trading update for the quarter ending 31 March 2024 (Q3 FY24)	18 April 2024

Hays Group overview

As at 30 September 2023, Hays had c.13,000 employees in 251 offices in 33 countries. In many of our global markets, the vast majority of professional and skilled recruitment is still done in-house, with minimal outsourcing to recruitment agencies, which presents substantial long-term structural growth opportunities. This has been a key driver of the diversification and internationalisation of the Group, with the International business representing 79% of the Group's net fees in Q1 FY24, compared with 25% in FY05.

Our consultants work in a broad range of industries covering recruitment in 21 professional and skilled specialisms. In Q1 FY24 our four largest specialisms of Technology (25% of Group net fees), Accountancy & Finance (15%), Engineering (11%) and Construction & Property (10%) and collectively represented 61% of Group fees.

In addition to our international and sectoral diversification, in Q1 FY24 the Group's net fees were generated 58% from temporary and 42% from permanent placement markets, and this balance gives our business model relative resilience. This well-diversified business model continues to be a key driver of the Group's financial performance.

Purpose, Net Zero, Equity and our Communities

Our purpose is to benefit society by investing in lifelong partnerships that empower people and organisations to succeed, creating opportunities and improving lives. Becoming lifelong partners to millions of people and thousands of organisations also helps to make our business sustainable. Our core company value is that we should always strive to 'do the right thing'. Linked to this and our commitment to Environmental, Social & Governance (ESG) matters, Hays has shaped its Sustainability Framework around the United Nations Sustainable Development Goals (UNSDG's), and further details can be found on pages 54-67 of our FY23 Annual report.

Cautionary statement

This Quarterly Update (the "Report") has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and is not audited. No representation or warranty, express or implied, is or will be made in relation to the accuracy, fairness or completeness of the information or opinions contained in this Report. Statements in this Report reflect the knowledge and information available at the time of its preparation. Certain statements included or incorporated by reference within this Report may constitute "forward-looking statements" in respect of the Group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance shall not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities shall not be taken as a representation that such trends or activities will continue in the future. The information contained in this Report is subject to change without notice and no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this Report shall be construed as a profit forecast. This Report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for any shares in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares of the Company or any invitation or inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000. Past performance cannot be relied upon as a guide to future performance. Liability arising from anything in this Report shall be governed by English Law, and neither the Company nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Report or its contents or otherwise arising in connection with this Report. Nothing in this Report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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